

# R&D deficit reveals betrayal of Italy

by Leonardo Servadio

Increasingly in recent months, counting the accumulating debt has become Italy's national sport. A public debt in the range of 1.5 trillion liras (about \$812 million), with a current yearly deficit of some 150 billion liras, provides rationales for all sorts of speculations—not only financial runs against the lira, but political speculations about how the ongoing institutional reform will reshape the state, and which party will win or which will lose. Parties are being suppressed and revived, factions split and unite with others, and new movements emerge and participate in electoral campaigns, but they claim not to be “political parties” in order to avoid being confused with the old “corrupt party-ocracy.”

Privatization is the cry of the day, the panacea that all the “newists” (those who aspire to a share of the power by claiming to be “new,” pure, uncorrupted, and true lovers of the people, and who are too numerous and perhaps too ephemeral to name) tout as their original program.

The notion of what's good and what's bad for Italy has been reduced to these two categories of judgment. The first is private versus state-owned; the second is honest versus dishonest. This is not surprising, since over 400 politicians and administrators have been jailed for corruption, and the courts are now dealing with known or suspected collusions between politicians and the various mafias which exist in the country.

Yet while all this theater is keeping everyone busy with his own little struggle for justice, in this general brawl Italy is dying. Its very existence as a nation is being attacked by the rejection of the “postwar system” headed by the Northern League, whose drive for regionalization was reinforced by the formation in April of the Regional Committee of the European Community. This is the kernel of what is supposed to become a second chamber of the European Parliament, when it takes over chunks of sovereignty from the various national governments under the Maastricht plan.

Italy's public debt could be managed, and even the foreign speculation against the lira could be countered. But the real reason Italy is dying, is because its deficit in research and development is increasingly putting its technological potential in foreign hands.

## Low quality of exports

Bank of Italy Governor Antonio Fazio noted, in a passage of his annual report on the national economy, that even if

exports have grown considerably (20% annually), thanks to the September 1992 lira devaluation, the effect of this increase is practically nil because the “quality” of exports is so low. “In terms of goods requiring high intensity of research and development, Italy is, among the industrialized nations, the country whose foreign trade is most in deficit,” Fazio said.

Moreover, the lira devaluation caused internal consumption to contract by an amount equivalent to the expansion of exports, so that national industries are no better off, and unemployment is up. Fazio spoke of growing joblessness but did not link it to the lira devaluation.

Unlike trade and monetary imbalances, it takes years to repair an R&D deficit. In today's fast-moving markets, with foreign multinationals ready to take over chunks of the national market and impose their own patents, Italy risks “scientific” colonization. No nation can defend itself against technological attrition (technological competition) without an adequate R&D program.

Italy's tradition in this field was not insignificant until, in the late 1930s, Enrico Fermi was forced to flee the country in order to protect his Jewish wife from the racial laws Mussolini started imposing in 1939 under orders from Hitler. With Enrico Mattei, the founder of the national hydrocarbons company, there was an attempt in the 1950s and 1960s to set up a national research and development effort, although it was limited to the industrial chemical sector. But since Mattei's death in 1962, Italy has increasingly lived on the dreams of a glorious past and imported technology. The fact that some scientists in the U.S. space program have Italian names, is meaningless from the standpoint of Italy's existence as a nation.

Of the industrialized countries, Italy spends least on R&D. In 1988 it invested 1.2% of GNP in R&D, while France and Britain in the same year invested 3% of GNP in R&D, and Japan and the United States 6%. The pharmaceuticals sector has been nearly swallowed whole by foreign multinationals. The chemical sector is partially resisting only due to the enormous impulse it has received until the 1970s, as a spinoff from Mattei's input.

A typical irony is that although Italy is the biggest “museum nation” in the world, nearly all the products used to restore stone or paintings are produced with foreign patents. Italian aerospace survives only thanks to connections with U.S. industry, because unlike France, Spain, and Germany, Italy is not part of the European Airbus venture. In computers and automation, Olivetti and Fiat still have technologies which keep them in the small appliance market, but the lack of R&D will lead to growing problems. The pattern holds up in every sector.

This is the fault of the political class which is now sinking with the Italian First Republic. But no one, among the “newists” who are now in the run for a grab at power, accuses them of this true betrayal of the nation, nor is anyone coming forward to propose remedies for these misdeeds.